COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1606-02
Bill No.: HB 649
Subject: Disabilities; Social Services Department; Taxation and Revenue - Income; Tax Credits
Type: Original
Date: March 24, 2011

Bill Summary: This proposal creates a tax credit for contributions to developmental disability care providers and modifies provisions of the residential treatment agency tax credit program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	$0	$0	$0
Total Estimated Net Effect on General Revenue Fund*	**$0**	**$0**	**$0**

*** Offsetting costs and payments that net to $0.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 135.1150 Residential Treatment Agency Tax Credit

Officials at the **Budget and Planning** (**BAP**) assume this proposal would allow a residential treatment agency (RTA) to apply for tax credits in an amount which does not exceed the amount of payments received by the agency from the Department of Social Services. BAP notes the agency is required to submit payment to the state before the tax credit is issued; therefore, this proposal will not impact general and total state revenues. DOR reports just under $552,000 in RTA redemptions in FY2010.

Officials at the **Department of Social Services** assume the cap on the Residential Treatment Tax Credit is also raised to 100% of what the provider was paid in the last year (RSMo135.1150.5). The current limit is 40% of what the provider was paid. There are only 4 providers who have taken advantage of the tax credit since its inception, and none of them has reached the 40% cap. This change should have minimal impact.

Section 135.1180 Developmental Disability Care Provider Tax Credit

Officials at the **Budget and Panning** assume this proposal creates a similar tax credit program for contributions made to Developmental Disability Care Providers. These agencies are required to submit payment to the state in amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal will not impact general and total state revenues.

Officials at the **Department of Social Services** (**DOS**) assume this bill will create another tax credit for DOS to administer. The administration should be able to be accomplished with existing staff.

DOS already has the Residential Treatment Tax Credit, allowing agencies which contract with the Department to claim a tax credit of up to 40% of what DOS has paid the agency in the past 12 months. Many of the residential treatment providers also provide care to children with developmental disabilities, which would qualify them for the Developmental Disability Tax Credit. Since no agency is claiming the maximum allowed for the Residential Treatment Tax Credit, the second tax credit may be redundant for Department of Social Services residential treatment providers.

Officials at the **Department of Mental Health** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **Department of Revenue** (**DOR**) assume section 135.1150 allows an agency to apply for tax credits in an aggregate amount that does not exceed forty percent of the payments made by the department to the agency in the preceding twelve months.

Section 135.1180 creates the "Developmental Disability Care Provider Tax Credit Program." This tax credit is for all tax years beginning on or after January 1, 2011, taxpayers will be allowed a credit against the taxes due under Chapters 143, 147, or 148 excluding withholding tax in an amount equal to 50% of the amount of an eligible donation, subject to the restrictions in this section. The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state income tax liability. The credit is not refundable and may be carried forward four years. Tax credits issued under this section may be assigned, transferred, sold, or otherwise conveyed, and the new owner of the tax credit shall have the same rights in the credit as the taxpayer.

A provider may submit to DOS an application for the tax credit on behalf of taxpayers. DOS may create rules to implement the provisions of this section. The provisions of this program will sunset six year after August 31, 2011 unless re-authorized by the General Assembly.

DOR assumes DOR and ITSD-DOR will need to make processing changes to multiple processing systems. The Department will need to make forms changes. In addition Personal Tax and Corporate tax will each need a Revenue Processing Technician (starting salary $25,380) to handle the tax credit redemptions.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes that due to the limited number of individuals currently taking advantage of this program that DOR could absorb the duties of this bill with existing staff.

Bill as a Whole
In response to similar legislation filed this year, SB 100, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign

ASSUMPTION (continued)

Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes that section 135.1180.4(3) requires payment from the provider equal to the amount of the value of the tax credit. Oversight assumes that receipt of payment and the application of the tax credits could affect various state funds, so for the purpose of this note Oversight is showing all the payments and costs to general revenue. However, the overall result of this proposal is no impact to total state revenue.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
Revenue - payment due with application	Unknown	Unknown	Unknown
Loss - tax credit	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

JH:LR:OD

SOURCES OF INFORMATION

Budget and Planning
Department of Mental Health
Department of Revenue
Department of Social Services
Office of the Secretary of State

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JH:LR:OD